

Workforce Diagnostic Assessment of Serbia and Montenegro
Conducted by
USAID Global Workforce in Transition Workforce Competitiveness Initiative
Evelyn Ganzglass, Education Development Center
Kevin Murphy J.E. Austin Associates
June 2004

Objectives and Activities

Objective. At the request of the USAID Eastern Europe and Eurasia Bureau, the Workforce Competitiveness team under the USAID Global Workforce in Transition IQC (GWIT), traveled to Serbia and Montenegro to present strategic options for improving workforce competitiveness in Serbia and Montenegro and to test the applicability and receptiveness of local leaders to a variety of initiatives that have been successfully implemented in other countries. The diagnostic assessment is also intended to provide recommendations to the mission on how to address workforce competitiveness challenges within its country strategies. In addition, the roundtable meetings conducted as part of the assessment are intended to energize local leaders around workforce competitiveness issues and leave them with practical approaches they can implement.

Activities. Prior to arriving in country, the team reviewed a number of studies on Bulgaria's economy, labor market and education system and conducted limited benchmarking analysis on Serbia and Montenegro's economic and educational performance relative to other countries in the region (see Appendix 1). In country, the team met with USAID officials, conducted individual interviews with local leaders and representatives of relevant donor projects, and convened four roundtable meetings in Novi Sad, Nis, Podgorica and Belgrade. The team developed presentational materials customized for Serbia and Montenegro that were presented at these roundtables (See Appendix 2 for English and Serbian versions of the PowerPoint presentations made by Ganzglass, Murphy and Zrinski Pelajic. Mr. Pelajic's well-received presentation was on regional development experience in Croatia. The team also surveyed the approximately 100 roundtable participants regarding the current status of business-university partnerships and the desirability and feasibility of implementing the strategies presented. (The results of these surveys are summarized in Appendix 3)

Findings

Workforce competitiveness strategies are highly relevant to Serbia and Montenegro. Local education, business and government leaders participating in roundtables rated all of the workforce competitiveness strategies presented as very desirable, especially improving business education communication and partnerships including joint training programs with foreign companies and school-to-work strategies at the secondary school level. Similarly participants thought strategies to increase labor market flexibility; especially policy reforms were highly desirable. However, participants were less sanguine about the ease with which these strategies could be implemented. The workforce competitiveness stakeholders will need help in overcoming years of mistrust

and lack of communication to forge realistic and workable partnerships that can address priority needs.

Roundtable participants uniformly complained of the unresponsiveness of the education system to private sector complaints about the skills of graduates and educators' unwillingness to cooperate with the private sector. However, indications are that technical assistance projects being implemented by the EU and other donors are beginning to move the education system in a more practical and relevant direction.

In addition, issues related to high social taxes, the gray economy and other barriers to economic and employment growth were raised by roundtable participants. Thus, to be successful, workforce competitiveness will have to be addressed at both the policy and operational levels.

Furthermore, donor activities at the municipal level coupled with upcoming direct elections of mayors in Serbia, provide fertile ground for local and regional workforce competitiveness initiatives.

There are many projects supported by USAID and other donors that have activities related to workforce competitiveness. These relate to competitiveness, education reform, government decentralization and local capacity building. Because of the short duration of this assessment, the team was not able to identify all the relevant on-going activities or explore opportunities for coordination. However, it will be important to coordinate any new activities with ongoing ones.

Guiding Principles

The following cross-cutting principles underlie the team's recommendations:

- Promote essential macroeconomic and labor market policy reforms concurrently with practical initiatives that increase pressure for policy reform from the bottom up.
- Focus workforce competitiveness initiatives on concrete and realistic job creation opportunities at the regional and municipal level.
- Target those regions and municipalities where there is public and private sector "political will" for collaboration and change.
- For sustainability and relevance, allow local leaders and community priorities to drive these initiatives.
- Piggyback on decentralization and education reforms that create new opportunities for local initiative.
- Introduce new approaches with high demonstration effect.
- Target initiatives that are likely to produce demonstrable results in the near-term in order to increase community support for reforms.
- Coordinate initiatives with the EU and other donors to assure compatibility results with EU accession requirements.

Recommendations

The following six recommendations provide a menu of options that the Mission may want to implement either as a broad new employment initiative in its new strategy or in a less comprehensive fashion by tweaking existing activities under its current strategy. The recommendations address priority needs identified through the diagnostic assessment and are informed by best practices in workforce competitiveness from the U.S. and around the world.

Promote regional workforce competitiveness initiatives as complement to on-going efforts in local government reform, cluster development and SME support. To do this, the Mission could:

Increase municipal capacity to manage the development of industry and tech parks. The Mission could work with the Standing Council of Mayors to provide support to their members in this field. Either through this organization or directly with interested municipalities, USAID could support study tours by local leaders to communities in Croatia and Slovenia where such parks have been developed successfully. Such visits allow people to see first hand what can be accomplished and the process of traveling together builds trust and a bond between people that facilitates collaboration in their home communities. In addition, USAID should support activities that strengthen linkages between such tech parks and local educational institutions. For example, a university or technical school might establish a training center within the park to serve the needs of companies locate in the park. The planned Nis Tech Park will be built near the university to facilitate faculty exchanges and the development of internships through which students get hands-on experience in workplaces.

Support regional and cross-border economic development initiatives. With the small size of markets in Serbia, Montenegro and other countries in the region there is a need to aggregate demand and coordinate efforts. The team identified one area—the Nis-Sophia-Skopje “EuroBalkan” region that has the beginnings of a cross-border metal manufacturing and machining cluster that is aimed at joint branding and placement of products. The area, which is 200 kilometers from Belgrade, Sophia, Skopje and Pristina and 500 kilometers from the Adriatic, Black and Aegean Seas, has the potential of becoming a transportation hub for the region. With leadership from the mayors in these cities, their respective universities have already reached coordination agreements.

Serve as catalyst and coach to coalesce community stakeholders around economic and workforce competitiveness issues. USAID can use its own good offices to promote greater collaboration among sectors at the regional and community level by convening meetings and communicating the importance of collaboration in this area. In addition, it can help strengthen the capacity of business associations, unions, existing community economic development councils or potentially the tripartite councils being developed in Montenegro to facilitate cross-sectoral initiatives and bring universities, secondary and technical schools and local employment offices to the table in support of local economic development.

Support e-government initiatives to remove administrative barriers to investment and job creation. Implementation of such initiatives could help reposition communities by demonstrating their commitment to creating a business friendly environment.

Urge the government to include workforce training criteria in privatization awards. This would raise the importance of workforce training in investor plans and accelerate attention to this issue during the privatization process. It would also leverage new private sector funds that could create a market for flexible and responsive business-driven workforce skills development programs. In addition, USAID could provide seed funding for a training fund that would be used as an incentive for investors in privatized firms to address skill deficiencies among workers and managers.

Implement pre-layoff initiatives to help communities and workers develop realistic strategies for replacing jobs lost as a result of privatization or plant closings. Such initiatives would involve local economic development planning and support as well as making available information, career counseling and retraining, if necessary, for workers likely to be laid off. Experience in other countries has shown that starting the transition process prior to layoffs is considerably more effective in creating new jobs and reemploying people than waiting until the plant is closed. An important aspect of such initiatives is conducting a skills assessment of the workforce to identify skills that are transferable to other activities within or outside the industry. This allows a community to market its skill base to potential investors and/or to develop strategies for upgrading the skills of its workforce. It also informs individual decisions on employment options and retraining needs.

Promote development of postsecondary educational institutions whose mission includes community workforce and economic development. The model for such institutions are entrepreneurial US community colleges that serve young people preparing to enter the workforce, adults wanting to upgrade their skills, and businesses seeking technical assistance and training in improving their production processes. Such institutions provide flexible academic and technical courses “for-credit;” “non-credit” courses including health and safety training that can be customized to the specific requirements of companies; and consultation and business support services such as e-marketing support, quality product testing and business incubators. Such programs could be developed with interested faculties of existing public universities and technical schools or with newly emerging private institutions.

Support cluster-based workforce competitiveness initiatives. Although training programs for managers and workers are often provided through cluster-based developed projects, these programs often do not result in needed institutional change within educational institutions or build a sustainable capacity for addressing workforce development needs within the industry. USAID should support efforts to:

Strengthen university-business linkages to improve the relevance of programs to industry and student needs. Such linkages might involve people from the industry serving on

curriculum advisory boards, having industry people serve as adjunct faculty in universities, developing internship programs in which students gain practical experience in workplaces, having industry donate modern equipment to technical faculties, or establishing joint industry-university degree programs.

Establish industry training and modernization centers. For example, such centers could be developed with one of the industries targeted in current projects. The center could provide training and business support to improve quality products and services along the entire supply chain. The center could also offer certificate programs for workers based on industry standards, deliver management training and provide business supports for SMEs.

Implement “school-to-work” programs at the secondary level. Such programs can be implemented in academic high schools as well as vocational/technical schools and typically include internships to provide practical experience for students, career information and placement activities, and curriculum and pedagogy that focuses on the application of knowledge and skills to real world industry and community problems. Business leaders and unions are involved in setting standards, providing input to curriculum, participating in career days and student mentoring and providing work experience opportunities.

Improve management and human resources (HR) practices in private sector and publicly held enterprises. Participants in roundtable workshops indicated that management practices were an impediment to increasing workforce competitiveness because skills are neither developed in the workplace by good supervision nor rewarded in hiring and promotion practices. To address this problem, USAID could:

Strengthen management education schools and programs. Programs could be developed with the existing business management school in Belgrade, interested faculties in the public universities and the newly emerging private programs developing in Serbia. Management programs are especially needed to improve management in SMEs and state operated enterprises.

Develop a Global Development Alliance (GDA) project to improve private sector HR and management practices. Such a project would leverage the HR expertise of international firms such as Phillip Morris and US Steel that are already operating in Serbia in order to serve as role models and trainers of modern HR practices for other firms. As a result of privatization agreements, both of these companies are already committed to supporting economic development activities in Serbia. Philip Morris has committed 90 million euros over 5 years to be used for local development activities and has begun working with local authorities and universities in the Nis area to provide practical learning experiences for students, improve English language instruction and develop distance learning capacity. US Steel has provided a 3-year employment guarantee for 9000 workers in the steel company they have bought as well as 150 million in capital investment over five years, \$5 million investment in local communities and \$1.5 million investment for the Economic Development Center to attract FDI to Serbia.

Support HR managers by developing an HR managers association and/or providing specialized training. Such training should include modules on performance appraisal, writing functional job descriptions, providing performance-based incentive systems, promoting on-the-job learning, forming partnerships with local education and training institutions, and developing career ladders for internal promotion and career advancement.

Implement market-driven youth employment strategies. Youth programs can motivate youth and give them hope for a better future. They can enhance the skills of the future workforce and they can help reduce brain drain. USAID may want to:

Promote employer-led campaigns to promote internships, summer jobs, leadership development and mentoring relationships for 16-25 year olds. Such a campaign could be mounted in conjunction with business associations, their union counterparts, the Standing Conference of Mayors, sectoral initiatives and other interested organizations at the national and municipal levels. In addition to providing practical experience, self-esteem and hope of real work opportunities for young people, such a campaign could build trust and a sense of accomplishment among community stakeholders and provide a vehicle for improving workplace supervision in the companies in which students work. Such an initiative could be built into the afore-discussed GDA or supported by a separate GDA with local firms.

Support internet-based portal targeting 18-30 year-olds. This could be done by helping the Novi Sad-based InfoStud portal go national or by helping replicate similar portals in other communities. InfoStud is an internet based portal on jobs and information on professional and personal development opportunities such as scholarships, seminars and international travel opportunities that was developed by university students several years ago. Demand for such information is evidenced by the fact that this portal gets 100,000 visits a month and is now beginning to turn a small profit from fees employers pay to list job openings and advertisements.

Support the development of career services at cooperating universities. USAID could support the development of career centers at universities or, as the team saw in Bulgaria, help student organizations produce and disseminate to employers CD ROMs of the CV's of graduating students to employers.

Implement intensive work-education program for unemployed out-of-school youth. Such a program would enable school dropouts to complete their education while providing them with marketable vocational skills, practical work experience and engage them in leadership development activities that provide service to their communities. The US and other countries have successful program models that could be adapted to the specific circumstances in Serbia and Montenegro.

Pilot test a multi-firm career ladder program to engage youth in productive work and regularize staff turnover for employers. Such a program would involve a number of employers in a program to employ young people and train over a 2-3 year period to

assume increasingly complex and better paying jobs. Participating youth might stay in one company for 6-9 months and then move to another for additional work experience. Regularizing turnover for companies would reduce cost and uncertainty and creating a career ladder may create an incentive for young people to work more consistently and stay in their communities. Such a program could be pilot-tested in Montenegro where there appears to be a significant problem in getting youth to work.

Promote entrepreneurship through school-based programs at the secondary level. For example, school-based enterprises could be developed in conjunction with vocational education programs being implemented by the EU or expanding junior achievement programs in the country.

Enhance opportunities for adult learning. Low educational attainment among SAM's adult population (50-60 % of the adult population has less than a high school diploma) warrant attention to developing a flexible, market-driven adult learning system. As in other countries, low skill adults experience higher levels of unemployment, tend to stay unemployed longer and are less able to adjust to changing market requirements. In addition, Serbia has a unique problem in that 30% of pensioners are qualified as disabled even though many of them would work, even if not in their original field of employment. Increasing employment among this group could reduce pension costs. To address this need, USAID may want to:

Expand e-learning capacity in communities. This could potentially be done by including the requirement that investors in a privatized telecom sector build a community-based infrastructure for e-learning or by linking with the current GDA in Macedonia on e-learning in schools.

Promote development of industry-based skill standards and certification systems. The development of these standards would engage employers and educators in a productive dialogue and once developed, the standards could be used to inform curriculum development in formal and informal learning programs. In addition, standards for certifying training providers provide quality assurance for the consumers of training. Many countries in Europe, North America and elsewhere have developed such systems that could be adapted in SAM.

Undertake a number of initiatives to improve labor exchange activities and promote labor market reforms. The current public employment service system is under-funded and very weak. It does not provide job referral, information or guidance activities that promote workers' active engagement in the labor market. It is clear that current tax and labor market policies serve as barrier to job creation and contribute to the existence of a large gray economy. The team did not have adequate time to explore these issues or formulate recommendations. However, experience in other transition countries could be brought to bear on addressing these aspects of workforce competitiveness.

